

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY
MENTAL HEALTH CENTER, INC.
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC
REPORT ON CONTRACT COMPLIANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

EXECUTIVE SUMMARY

Management successfully implemented our recommendations included in our examination of the 1999 and 1998 contracts.

We had no significant findings to report for the fiscal years ended June 30, 2001 and 2000 and, as such, contain no recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	i
TRANSMITTAL LETTER	1
SCOPE AND PURPOSE	2
BACKGROUND	3
AUDITOR'S OPINION	4
FINANCIAL INFORMATION:	
Statement of Revenues and Expenses	
Exhibit A: Fiscal Year Ended June 30, 2001	6
Exhibit B: Fiscal Year Ended June 30, 2000	7
Exhibit C: Statement of Operations – Title XIX Program	8
Exhibit D: Determination of Over (Under) Payment of State Matching Funds	9
Notes to Financial Information	10
SUPPLEMENTAL INFORMATION:	
Schedule of Matchable and Nonmatchable Revenues	11
FINDINGS AND RECOMMENDATIONS	12



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

June 9, 2003

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 2
600 New London Avenue
Cranston, R.I. 02920

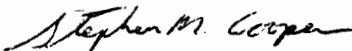
Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Northern Rhode Island Community Mental Health Center, Inc., for the fiscal years ended June 30, 2001 and 2000.

The results of our engagement included herein have been discussed with management and we have considered their comments in the preparation of our report. Since this report discloses no significant findings and recommendations, no written response is necessary as required by Section 35-7-4 of the General Laws.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of Northern Rhode Island Community Mental Health Center, Inc., for their cooperation and courtesies extended to us during the course of this engagement.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

SCOPE AND PURPOSE

The purpose of this examination was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues were matchable or nonmatchable;
- total matchable revenue used as the basis for funding fiscal years 2003 and 2002;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our audit of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health centers to provide mentally disabled adults services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that Northern Rhode Island Community Mental Health Center, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center's Administrative Offices are located at 515 Social Street, Woonsocket, Rhode Island.

The Center is governed by a board of Directors consisting of not more than 21 nor less than 15 individuals elected annually.



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Northern Rhode Island Community Mental Health Center, Inc. (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Healthcare Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the matching Grant contracts and with the financial terms and conditions contained within the Community Support, Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 2001 and 2000, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.


For purposes of this engagement we tested compliance with the above-mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, we became aware of no excess funding by MHRH for the fiscal years ended June 30, 2001 and 2000 with the Community Support, Residential and Acute Alternatives Services Contracts, nor other matters of noncompliance with provisions contained in the financial terms and conditions with the contracts stated above.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you

Ms. A. Kathryn Power, Director
Page 2

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
October 28, 2002

SMC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 2001

	<u>Community Support Residential, and Acute Alternatives</u>	<u>Adult General Outpatient</u>	<u>Other Programs</u>	<u>Total</u>
<u>Revenues</u>				
MHRH	\$ 1,239,336	193,883	-	1,433,219
DCYF	-	-	418,622	418,622
Other Sources	72,249	-	844,898	917,147
Title XIX Medicaid	4,394,071	199,384	2,273,739	6,867,194
Municipalities	-	-	707,119	707,119
Third Party Reimbursements	100,122	33,685	112,236	246,043
Program Fees	42,919	7,359	86,920	137,198
Rent	97,023	-	61,600	158,623
Contributions	1,630	33,593	5,693	40,916
Interest	20,338	-	-	20,338
Miscellaneous	56,792	-	41,783	98,575
	<u>6,024,480</u>	<u>467,904</u>	<u>4,552,610</u>	<u>11,044,994</u>
Total Revenues	\$			
<u>Expenses</u>	4,767,673	165,489	2,934,328	7,867,490
Personnel	1,042,672	44,782	771,806	1,859,260
Operating	582,355	-	22,423	604,778
Purchased Equipment				
	<u>6,392,700</u>	<u>210,271</u>	<u>3,728,557</u>	<u>10,331,528</u>
Total Expenses	\$			
Excess (Deficiency) of Revenues Over Expenses	\$ (368,220)	257,633	824,053	713,466

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 2000

	<u>Community Support Residential, and Acute Alternatives</u>	<u>Adult General Outpatient</u>	<u>Other Programs</u>	<u>Total</u>
<u>Revenues</u>				
MHRH	\$ 1,164,119	176,899	-	1,341,018
DCYF	-	-	352,683	352,683
Other Sources	122,154	4,278	502,606	629,038
Title XIX Medicaid	3,567,595	251,283	1,496,974	5,315,852
Municipalities	-	-	649,208	649,208
Fund Raising & Contributions	-	58,169	17,087	75,256
Program Fees	39,830	9,770	106,940	156,540
Rent	90,171	-	83,731	173,902
Third Party Reimbursements	99,931	53,567	62,528	216,026
Interest	27,794	-	-	27,794
Miscellaneous	35,659	750	29,419	65,828
	<u>5,147,253</u>	<u>554,716</u>	<u>3,301,176</u>	<u>9,003,145</u>
Total Revenues	\$ 5,147,253	554,716	3,301,176	9,003,145
<u>Expenses</u>				
Personnel	4,276,508	209,840	2,378,099	6,864,447
Operating	883,141	86,460	723,322	1,692,923
Purchased Equipment	164,479	-	-	164,479
	<u>5,324,128</u>	<u>296,300</u>	<u>3,101,421</u>	<u>8,721,849</u>
Total Expenses	\$ 5,324,128	296,300	3,101,421	8,721,849
Excess (Deficiency) of Revenues Over Expenses	\$ <u>(176,875)</u>	<u>258,416</u>	<u>199,755</u>	<u>281,296</u>

See accompanying notes to financial information.

:SP-35b

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER
 STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
 FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

	Fiscal Year Ended June 30	
	2001	2000
<u>Beginning Balance</u>	\$ -	-
Revenues Received Designated for Programs	<u>6,867,194</u>	<u>5,315,852</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	4,394,071	3,567,595
Adult General Outpatient Program	199,384	251,283
Other Programs	<u>2,273,739</u>	<u>1,496,974</u>
Total Applied	<u>6,867,194</u>	<u>5,315,852</u>
<u>Ending Balance</u>	\$ <u>-</u>	<u>-</u>

See accompany notes to financial information.

:SP-35c

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
STATE MATCHING PROGRAM
DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

	Fiscal Year Ended June 30	
	<u>2001</u>	<u>2000</u>
<u>State Funds Allocated</u>		
Adult Outpatient Services	169,848	171,999
Community Support, Residential and Acute Alternatives	<u>169,848</u>	<u>171,999</u>
	<u>339,696</u>	<u>343,998</u>
Matchable Revenues-Fiscal Years Ended June 30, 1999 and 1998	<u>739,358</u>	<u>736,330</u>
<u>Determination of Over (Under) Payment of State Funds:</u>		
State Funds Allocated (Note 2)	339,696	343,998
Deduct Lesser of:		
(a) Applicable Percentage of Matchable Revenues	339,696	343,998
(b) State Funds Allocated	339,696	343,998
Maximum Support - Lessor of A or B (Note 3)	<u>339,696</u>	<u>343,998</u>
Over (Under) Payment of State Matching Funds	<u>-</u>	<u>-</u>

See accompanying notes to financial information.

:SP-35d

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Healthcare Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of Northern Rhode Island Community Mental Health Center, Inc.

Note 3 - Maximum Support - Exhibit D

State funds allocated are subject to the lessor of the following:

- A. 45.944% of the matchable revenue for the fiscal year ended June 30, 1999 and 46.72% of the matchable revenue for the fiscal year ended June 30, 1998.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

Note 4 - Other Programs - Exhibits A and B

These amounts represent funding from sources other than MHRH Division of Behavioral Health Care Services.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
STATE MATCHING PROGRAM
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

		Fiscal Year Ended June 30	
		<u>2001</u>	<u>2000</u>
<u>State of Rhode Island</u>			
Adult Outpatient Program	\$ 193,883		176,899
Community Support, Residential and Acute Alternatives	<u>1,239,336</u>	1,433,219	<u>1,164,119</u>
Total State Funds Allocated			1,341,018
<u>Matchable Revenues</u>			
Local Communities	686,734		633,705
Contributions (net)	<u>31,755</u>		<u>33,467</u>
Total Matchable Revenues (For Fiscal Years Ended June 30, 2003 and 2002)		718,489	667,172
<u>Nonmatchable Revenues</u>			
Title XIX Program	6,867,194		5,315,852
Rent	158,623		173,902
Program Fees	137,198		156,540
Third Party Fees	246,043		216,026
Other Revenues	1,463,890		1,104,841
Interest	<u>20,338</u>		<u>27,794</u>
Total NonMatchable Revenues		<u>8,893,286</u>	<u>6,994,955</u>
Total Revenues (Exhibit A & B, Respectively) \$		<u>11,044,994</u>	<u>9,003,145</u>

:SP-35s

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

CURRENT YEARS FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Center's programs for the fiscal years ended June 30, 2001 and 2000 are summarized below:

Revenues Excess (Deficiency) - Exhibits A and B

<u>Program</u>	<u>2001</u>	<u>2000</u>
Community Support, Residential, and Acute Alternatives	\$ (368,220)	\$ (176,875)
Adult Outpatient Program	257,633	258,416
Other Programs	<u>824,053</u>	<u>199,755</u>
Total Revenues	\$ <u>713,466</u>	\$ <u>281,296</u>

State Matching Program

It was determined that there was no over or under payment of state matching funds during the period audited. (See Exhibit D)

Matchable Revenues were examined for fiscal years ended June 30, 2001 and 2000 and are summarized as follows:

	<u>2001</u>	<u>2000</u>
Municipal Revenues	\$ 686,734	\$ 633,705
Fund-Raising & Contributions	<u>31,755</u>	<u>33,467</u>
Total Matchable Revenues	\$ <u>718,489</u>	\$ <u>667,172</u>

Funds received in the fiscal years ended June 30, 2001 and 2000 will be the basis for determining state funds allocated by the Department of MHRH for the subsequent fiscal years ending June 30, 2003 and 2002, respectively.

Revenue Deficiencies

It is our understanding that each contract stands on its own and that any expenses in excess of the contracted amounts be absorbed by the provider.

During the period audited the following Division of Behavioral Healthcare Service's contract had a revenue deficiency:

2001 – Community Support, Residential, and Acute Alternatives	\$ (368,220)
2000 – Community Support, Residential, and Acute Alternatives	\$ (176,875)

Affiliated Corporations

The Center formed several nonprofit corporations which provide services adjunctive to the Center's programs. A listing of the affiliates follows:

Blackstone Valley Mental Health Realty Corporation, Inc.

This corporation was organized in 1988 for the purpose of developing, owning and managing housing for elderly and handicapped persons. It currently owns rental property located at 80 Cass Ave. Woonsocket, R.I. Presently the corporation is functioning as a real estate advisory committee to the center's Board of Directors. The Board of Directors of this corporation is appointed by the center's Board of Directors. Members of the Board of Directors of this corporation compose the board membership of Sutherland Apartment, Inc., Sadwin Apartments, Inc., Roland M. Boucher Apartment, Inc., and Leo R. Tanguay Apartments, Inc.

Norimentas, Inc. d/b/a
Sutherland Apartment, Inc.

Established in 1984, this corporation owns an 11-unit apartment building created to accommodate a supervised living program operated by the center at 462 East School Street, Woonsocket, R.I. This facility was acquired with proceeds of a federally insured mortgage under Section 202 of the National Housing Act. Rents charged to tenants are subsidized by (HUD).

Slater Apartments, Inc. d/b/a
Sadwin Apartments, Inc.

This corporation was established in 1984 to develop housing for elderly and handicapped residents of the Northern Rhode Island area. The corporation owns a 33-unit apartment building located at 181 Elm Street, Woonsocket, R.I. and rents to tenants whose rents are subsidized by HUD. This facility was acquired with proceeds of a federally insured mortgage under Section 202 of the National Housing Act.

Roland M. Boucher Apartments, Inc.

This corporation was established in April 1990 to purchase and develop five properties (31 units) to provide housing for chronically mentally ill residents of Northern Rhode Island. This facility was acquired with proceeds of a federally insured mortgage under Section 202, of the National Housing Act. Rents charged to tenants are subsidized by HUD.

Leo R. Tanguay Apartments, Inc.

This corporation was established in 1991 to develop real estate to provide housing for mentally ill residents of Northern Rhode Island. This organization was the successful bidder for a state surplus property in Woonsocket, R.I. Renovation of the facility into an eight-unit apartment building was funded, for the most part, with a grant from HUD. Rents charged to tenants are subsidized by HUD.

Housing Partners for Positive Living, Inc.

This corporation was established in November 1997 to provide a ten-unit housing complex for mentally ill clients, but is not limited to persons who are HIV positive and substance abusers. This property was acquired with proceeds from a federally insured mortgage under Section 811 of the National Housing Act.

Counseling Resources Associates, Inc.

This corporation was established in 1986 and reactivated in 1999 to provide elderly case finding services for elderly in the South County area.

Monday Morning Industries, Inc.

Established during May 2001 as a peer-to-peer program providing a daycare and activity center facilitating various programs which benefit mentally handicapped adults. This program is mainly funded by Mental Health Associates.

Russo Street Apartments, Inc.

Formed September 25, 2001 as a HUD project providing housing for HIV and substance abuse clients. This program consists of ten apartments located in two buildings at 38 and 44 Bergen Street, Providence, Rhode Island.